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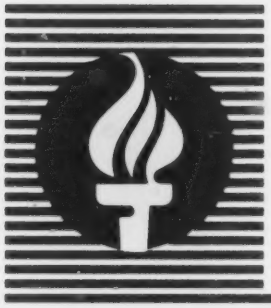

The Conference Board

Corporate Directors' Compensation 1989 Edition

A survey of 909 top U.S. firms reveals:

- *higher pay for outside directors*
- *greater emphasis on retirement benefits*
- *more offers of stock grants and options*
- *slippage in deferred compensation plans*

Research Report No. 922

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Corporate Directors' Compensation 1989 Edition

by Jeremy Bacon

A Research Report from The Conference Board

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From the President

In a recent survey of Conference Board Associates, the annual Corporate Directors' Compensation report received high marks. Chief executive officers conveyed their interest and top executives in general complimented the report's ongoing quality and usefulness. This year's report, like preceding editions, will enable companies to judge the appropriateness and timeliness of their own director compensation practices.

Also this year, at the suggestion—and with the help—of the American Society of Corporate Secretaries, we enlarged the survey questionnaire upon which the report is based to learn about two increasingly popular ways of supplementing cash compensation for outside directors: retirement benefits and stock options. We think those who traditionally use this report, as well as newcomers, will find the expanded sections on these topics of real interest.

Once again, we thank the National Office of the American Society of Corporate Secretaries for their help, and extend our gratitude to the many members of the Society—over 900—who completed and returned the survey questionnaire. Their generous cooperation is very much appreciated.

PRESTON TOWNLEY
President

Highlights

• *Forty-two percent* of the 909 survey respondents *increased pay* for their outside directors since last year, the same percentage as in the 1987 survey. Two percent *reduced* board pay.

• The increases resulted in an *overall gain* of 9 percent *in the median total annual board compensation* reported by manufacturing companies and of 16 percent for financial firms. The median for nonfinancial service companies remained essentially unchanged, for the second year in a row (Table 1).

• The *five industries with the highest median annual board pay* in this year's survey are: Mutual life insurance ($34,000), drugs and pharmaceuticals ($32,400), food ($28,800), paper and forest products ($28,000), and manufacturing conglomerates ($27,500) (Tables 3, 5).

• The *median annual pay* figure *for the largest manufacturing firms*—those with $5 billion or more in sales—*increased 6 percent* and now tops $40,000 ($40,250). The median for financial companies in the same size category is $27,025, and for similar nonfinancial service companies is $33,000, reflecting gains of 8 percent and 4 percent, respectively (Tables 4, 6, 8).

• *Median annual board retainers increased*—by $2,000 in financial firms, $1,000 in manufacturing, and $350 in nonfinancial services. In manufacturing, the median annual retainer is now $15,000 and ranges as high as $40,000 (Table 10).

• *Use of stock grants* or payments (not options) as part of annual compensation *is now reported by 6 percent* of the respondents, up from 4 percent in the prior two surveys.

• *Eighty-eight percent* of companies with board committees *pay an extra amount* to directors *for committee membership; 45 percent pay committee chairmen extra* for that responsibility. These figures are very similar to those of 1987 (Table 19).

• Committee pay as a component of total annual board pay is higher in financial firms (19 percent is the median proportion) than in manufacturing and nonfinancial service companies (15 and 14 percent, respectively) (Table 25).

• The prevalence of *insurance benefits* once again *showed essentially no change. The exception is directors and officers liability insurance,* which is provided by 81 percent of the respondents, down from 84 percent in 1987 and 88 percent in 1986 (Table 34).

• *Deferred compensation plans* showed a slight decline (51 percent, down from 56), evidently a response to changes in the tax laws (Table 34).

• *Retirement benefit* plans, on the other hand, showed a substantial gain; 28 percent of the companies reported this benefit for their outside directors, up from 21 percent in 1987 and 18 percent in 1986 (Table 34). These plans are found somewhat more often in the manufacturing group (32 percent; Table 35) and are especially prevalent in the largest firms (Table 36).

• Two out of five plans base the pay-out period for retirement benefits on years of board service; another third pay until the director's death.

• Forty-two percent of retirement plans continue payments to a beneficiary if a director dies before receiving the maximum benefit.

• *Stock options also gained again:* 14 percent of respondents reported options for their outside directors, compared to 9 percent last year and 7 percent the year before (Table 34). Slightly over half of the options offered to directors were the same (except for dollar value, in some cases) as those made available to corporate executives. Where terms did vary, the two major differences were: directors' options had a more favorable exercise and/or vesting period; directors' options were "nonqualified" for tax purposes.

Method, Sample and Terminology

About Data Collection

The information for this report was collected during June and July of 1988 by means of a questionnaire sent to the members of the American Society of Corporate Secretaries. The total number of respondents on which the figures in the report are based is 914: 405 manufacturers, 232 financial companies, and 277 nonfinancial service firms. All respondents are United States companies, and in almost all cases, they are independent or parent companies, rather than subsidiaries.

About Data Analysis

Industry and size categories

For analytical purposes, data are broken down in one of three ways:

- By three major industry categories (manufacturing, financial, nonfinancial service);
- By individual industries (47 in all) within those categories;
- By company size, using 14 size groups ranging from under $10 million to over $5 billion in sales, except for financial firms, whose size is measured in total assets.

Percentages and central tendencies

In most cases, the base used for calculating percentages is the number of companies that answered the particular question or part of a question. Companies that did not reply, or indicated that the question is not applicable, are omitted from the calculation.

Medians

Medians, rather than mathematical averages (means), are usually used to show representative or typical values. A median is the middle value in a distribution arrayed by size, above and below which lie an equal number of values.

Modes

Some tables show modes as well as medians. A mode is the value in a set of data that appears most frequently. Where the greatest frequency is shared by two or more values, all such values are listed as modes.

Quartiles

Third quartiles are indicated in some tables. For this report, the third-quartile figure used is the *actual* number—in an array of values according to size—that is at, or nearest above, the 75th percentile point on a cumulative frequency scale.

Survey samples

The companies that respond are not always the same from one survey to the next. Thus, measurements of change between surveys are based on statistics from comparable samples, not change within an identical repeated sample.

Total annual compensation

The study uses a figure that is unique to this series: *total potential annual compensation (regular board service plus committee service) to representative outside directors.* In most cases this figure is provided specifically by the survey respondent; in other cases, it is calculated. It represents what a typical director of a given company makes in a year, if he or she attends all required board and committee meetings. We believe it to be the best single indication of board pay for use in comparing companies.

Terminology

This report deals only with compensation of the *outside director,* which for this purpose means a director who is not presently an employee of the company. The term *retainer* indicates in every case an amount paid on an annual basis (although it may actually be paid out in installments during the year), and that is not directly related to and does not depend on attendance at board (or committee) meetings. The term *fee* means an amount paid for attendance on a per-meeting basis.

"*Regular board service*" refers to meetings and other work of the *full board,* as distinguished from service as a member of one or more board committees.

Chapter 1
Total Annual Compensation of Outside Directors

This chapter contains information about how much outside directors make for a year's board work, including committee service. It presents this information by major industry category (manufacturing, financial, nonfinancial service), by 47 specific industries, and by company size within industry categories. It also includes both dollar figures and amounts and percentages of increase (or decrease) since the 1987 survey.

All tables in the chapter are based on one figure for each company, representing *what the most typical outside director on that company's board can expect to earn in a year.* (See box.) Later chapters deal separately with board-only compensation and with committee compensation.

Increases since 1987

Forty-two percent of the respondents gave some form of pay raise to their outside directors in 1988, exactly the same percentage as in 1987. Two percent *decreased* board compensation, also the same as in 1987.

The overall effect of these increases was to raise the median annual compensation figure in the manufacturing industry group by $2,000, or 9 percent—twice the gain recorded in 1987. The median for financial companies, which registered essentially no gain in 1987, went up by $2,800 in 1988, a 16 percent jump. The nonfinancial service category showed a very small drop off of $400 or 2 percent. These changes are shown in Table 1.

Table 2 provides information on the amounts by which directors' pay was increased in the 340 companies that provided dollar figures. The highest median raise—$3,500—was in manufacturing. The median percentage increase was basically the same in the three industry groups—about 15 percent.

How Compensation was Increased

The following tabulation shows the methods used for giving pay increases to directors. Note from the first two items that half the companies either raised *only* the amount of *the annual retainer* paid for regular board service or else increased *all elements* of board compensation including committee pay.

Component(s) of Pay That was/were Increased	Percent of Companies Mentioning[1]
Board annual retainer only;	27%
Board annual retainer and per-meeting fee and committee pay;	22
Board annual retainer and per-meeting fee;	13
Board annual retainer and committee pay;	10
Board per-meeting fee only;	8
Committee pay only;	6
Overall percentage increase;	1
Other	14

[1]Based on 383 companies that increased pay.

Compensation in Manufacturing Companies—by Industry

Table 3 presents information for 24 individual industries within the manufacturing category. Median total annual compensation figures are up for some industries, down for others, with no particular pattern indicated.

Among industries represented by at least ten companies in the 1988 survey, the drug and pharmaceutical industry again has the highest median annual compensation figure at $32,400. Other industries in the top five are chemicals, food, paper, and conglomerates. This year there are seven industries for which the annual median figure is $25,000 or more; last year it was five.

The upper ends of the ranges shown in Table 3 indicate that some manufacturing companies pay their most representative director much more than the median for their industry—sometimes twice as much, ranging to a high of $74,000 for an industrial products company.

About the Total Potential Annual Compensation Figure

One of the basic purposes of this survey is to provide a basis for useful comparisons. In particular, we have in mind the corporate reader (or director) who wants to see how his or her company's directors' compensation compares with that of companies of similar size in the same or a similar industry or industries. Thus, The Conference Board survey in recent years has emphasized one figure in particular for each participating company: how much a *typical* outside director of that company can expect to make, in total, for a full year's service on the board, counting committees. This figure serves as the basis for the tables presented in this chapter.

We call this figure "total potential annual compensation (regular board service plus committee service) to representative outside directors." It is based on the assumption that the typical director attends, and therefore is paid for, every board meeting and every meeting of every board committee on which he or she serves. It is the *potential* compensation for full participation.

Because the figure is for what the *most representative or typical* director on that board makes, some directors will make more, some less, depending on committee assignments or chairmanships.

Compensation in Manufacturing Companies—by Company Size

Table 4 gives figures for manufacturing firms on the basis of company size. In manufacturing, more than in the other two industry categories, there continues to be a positive correlation between the size of the company and the level of compensation of its directors. The median for the 62 companies in the largest group (sales of $5 billion) is $40,250, which is 68 percent higher than the median for all manufacturing companies ($24,000).

Note that this table has third-quartile figures to help users of the report who want to know the practices of the better-paying companies.

Compensation in Financial Companies—by Industry

Figures for financial companies (again, median figures for total potential annual compensation) appear in Table 5 and 6. Table 5 shows that mutual life insurance companies continue to pay more than companies in other financial industries. The overall median for all financial firms is $19,000, an increase of 16 percent over 1987.

As in manufacturing, there are some companies in each subcategory of the financial industry that pay much more than the industry median.

Compensation in Financial Companies—by Company Size

Table 6 indicates that among financial companies, directors' pay is not as closely related to company size (measured in *assets)* as is the case with manufacturing companies. However, the highest median and the highest top-of-the-range amount are found in firms with assets of $5 billion and over—the largest financial firms in the survey. They also comprise 43 percent of survey respondents in the financial category.

Note that Table 6 contains third-quartile figures.

Compensation in Nonfinancial Service Companies—by Industry

Figures for the third major category are found in Tables 7 and 8. Only one of the industries in the nonfinancial service company category, transportation, has a median annual compensation figure of over $25,000. The overall median for nonfinancial service firms is $17,600.

Compensation in Nonfinancial Service Companies—by Company Size

Table 8 shows that directors' compensation in this industry category tends to increase as company size increases, especially for larger companies. However, the correlation between pay and company size is not quite as great as it is for manufacturing firms.

Table 8 includes third-quartile figures.

Table 1: Amounts and Changes of Median Total Potential Annual Compensation[1] for Outside Directors in the Three Major Industry Categories, for 1987 and 1988

	1987		*1988*		
Industry Category	*Median Total Potential Annual Compensation*	*Percent of Increase (Decrease) Over 1986*	*Median Total Potential Annual Compensation*	*Amount of Increase (Decrease) Over 1987*	*Percent of Increase (Decrease) Over 1987*
Manufacturing companies	$22,000	5%	$24,000	$2,000	9 %
Financial companies	$17,000	(1)	$19,800	$2,800	16
Nonfinancial service companies[2]	$18,000	—	$17,600	($ 400)	(2)

[1]Based on amount paid to *average or most representative board member(s)* in each company, as determined and reported by respondents. Figures assume attendance at all meetings of board and assigned committees.

[2]Includes five mining companies.

Table 2: Analysis of Compensation Increases for Those Companies that Reported Them,[1] by Industry Category

	Industry Category		
	Manufacturing (146 Companies)	*Financial (90 Companies)*	*Nonfinancial Service (104 Companies)*
Range of increases	$300–$24,000	$200–$16,000	$450–$16,400
Median	$ 3,500	$ 3,000	$ 2,400
Median percentage increase	14%	15%	14%

[1]Forty-two percent of the respondents reported an increase.

Table 3: Total Annual Compensation (Regular Board Service Plus Committee Service) to Representative Outside Directors in 401 Manufacturing Companies, by Industry[1]

Industry	Number of Companies	Range of Compensation	1987 Median Annual Compensation (422 Companies)	**1988 Median Annual Compensation (401 Companies)**	Percent Increase (Decrease)
Aerospace, aircraft and parts	19	$10,000–$55,000	$30,000	**$24,500**	(18)%
Apparel and related products	7	$14,000–$36,000	$17,500	**$21,100**	21
Chemicals, paints and related products	22	$ 6,600–$64,000	$24,475	**$27,500**	12
Computers, electronics	48	$ 1,200–$52,500	$19,000	**$18,750**	(1)
Conglomerate or widely diversified	46	$ 4,500–$53,400	$23,200	**$27,500**	19
Construction, construction engineering	6	$11,500–$29,800	$21,000	**$24,950**	19
Construction materials and components (excluding lumber)	15	$12,000–$32,000	$22,050	**$25,500**	16
Containers, packaging	5	$10,000–$24,750	$19,000	**$18,500**	(3)
Drugs, pharmaceuticals, cosmetics, soaps	29	$ 1,250–$49,100	$31,800	**$32,400**	2
Electrical industrial equipment	10	$ 1,600–$42,900	$17,750	**$23,375**	32
Food, beverages and related products	22	$12,000–$64,550	$29,800	**$28,800**	(3)
Instruments, controls, optical products	13	$ 4,000–$34,000	$16,500	**$18,600**	13
Machinery: general industrial	8	$ 9,000–$30,250	$19,500	**$18,950**	(3)
Machinery: special	6	$ 1,500–$30,750	$21,200	**$17,150**	(19)
Miscellaneous consumer products	26	$ 1,375–$43,750	$20,100	**$20,475**	2
Miscellaneous industrial products	16	$ 7,500–$74,000	$17,200	**$18,500**	8
Motor vehicles and parts	12	$ 8,500–$47,500	$22,750	**$25,900**	14
Nonferrous metals	5	$ 3,000–$37,800	$20,200	**$20,400**	1
Paper and forest products	19	$12,600–$41,500	$25,050	**$28,000**	12
Petroleum products (including exploration)	39	$ 400–$56,500	$28,400	**$24,000**	(15)
Printing, printing products, publishing	15	$10,500–$46,500	$24,000	**$24,000**	—
Steel	7	$ 7,200–$34,000	$19,500	**$24,550**	26
Textiles	5	$ 6,000–$36,600	$ 7,950	**$12,500**	57
Transportation equipment and parts	5	$13,000–$36,400	$24,500	**$19,200**	(22)

[1]Based on amount paid to *average or most representative board member(s)* in each company, as determined and reported by respondents. Figures assume attendance at all meetings of board and assigned committees.

Table 4: Total Annual Compensation (Regular Board Service Plus Committee Service) to Representative Outside Directors in 401 Manufacturing Companies, by Company Size[1]

Company Size by Sales (Millions of Dollars)	Number of Companies	Range of Compensation	1987 Median Annual Compensation (420 Companies)	**1988 Median Annual Compensation (401 Companies)**	Percent Increase (Decrease)	1988 Third-Quartile Compensation[2]
Under $25	22	$ 1,250–$19,400	$ 5,250	**$ 9,300**	(77)%	$15,000
25–49	16	$ 1,200–$15,000	$ 7,500	**$ 7,500**	(1)	$11,500
50–99	19	$ 5,000–$31,900	$13,850	**$10,800**	(22)	$17,100
100–149	31	$ 1,375–$50,000	$13,500	**$14,000**	4	$18,300
150–199	13	$ 6,000–$32,000	$16,000	**$16,000**	—	$18,000
200–349	38	$10,000–$32,400	$17,100	**$17,950**	5	$22,500
350–499	31	$12,000–$35,000	$18,000	**$19,500**	8	$24,500
500–749	26	$12,000–$32,400	$19,500	**$21,050**	8	$24,500
750–999	23	$12,000–$32,000	$22,150	**$24,100**	9	$28,000
1,000–1,999	60	$13,000–$74,000	$25,000	**$27,250**	9	$30,750
2,000–2,999	30	$16,200–$47,500	$30,000	**$30,800**	3	$32,500
3,000–4,999	30	$20,000–$48,400	$32,000	**$34,600**	8	$42,000
5,000 and over	62	$26,750–$64,550	$38,000	**$40,250**	6	$46,000

[1]Based on amount paid to *average or most representative board member(s)* in each company, as determined and reported by respondents. Figures assume attendance at all meetings of board and assigned committees.

[2]Figure for company at, or nearest above, 75 percent point in range.

Table 5: Total Annual Compensation (Regular Board Service Plus Committee Service) to Representative Outside Directors in 231 Financial Companies, by Industry[1]

Industry	*Number of Companies*	*Range of Compensation*	*1987 Median Annual Compensation (221 Companies)*	***1988 Median Annual Compensation (231 Companies)***	*Percent Increase (Decrease)*
Bank holding company	85	$3,850–$55,700	$16,550	**$18,600**	12 %
Commercial banking	20	$3,000–$30,600	$15,100	**$15,800**	5
Savings institution	35	$1,500–$40,000	$13,825	**$15,000**	8
Insurance—mutual fire and casualty	6	$7,000–$42,000	N/A	**$21,000**	N/A
Insurance—stock fire and casualty	16	$11,000–40,300	N/A	**$20,900**	N/A
Insurance—mutual life	13	$8,800–$58,000	$30,500	**$34,000**	11
Insurance—stock life	16	$3,400–$45,000	$18,900	**$22,400**	19
Investment company	12	$7,300–$19,750	$13,600	**$12,550**	(8)
Miscellaneous financial service	28	$4,000–$57,600	$26,500	**$27,625**	4

[1]Based on amount paid to *average or most representative board member(s)* in each company, as determined and reported by respondents. Figures assume attendance at all meetings of board and assigned committees. N/A = not available.

Table 6: Total Annual Compensation (Regular Board Service Plus Committee Service) to Representative Outside Directors in 230 Financial Companies, by Company Size[1]

Company Size by Assets (Millions of Dollars)	*Number of Companies*	*Range of Compensation*	*1987 Median Annual Compensation (221 Companies)*	***1988 Median Annual Compensation (230 Companies)***	*Percent Increase (Decrease)*	*1988 Third-Quartile Compensation[2]*
Under $100	6	$3,750–$21,000	$ 8,750	**$ 8,550**	(2)%	$11,000
100–149	7	$5,500–$19,500	$10,700	**$10,000**	(7)	$16,500
150–199	7	$7,300–$11,700	$ 9,000	**$10,200**	13	$11,500
200–349	9	$1,500–$20,800	$14,350	**$ 8,000**	(44)	$14,000
350–499	17	$4,800–$26,000	$13,000	**$10,700**	(18)	$19,100
500–749	8	$7,000–$24,500	$ 9,800	**$10,500**	7	$11,400
750–999	13	$3,850–$27,200	$11,400	**$15,000**	32	$19,000
1,000–1,999	23	$6,000–$38,800	$11,500	**$14,400**	25	$20,500
2,000–2,999	16	$7,400–$40,300	$14,000	**$11,650**	(17)	$17,000
3,000–4,999	24	$6,050–$37,000	$17,500	**$20,450**	17	$24,500
5,000 and over	100	$8,500–$58,000	$25,100	**$27,025**	8	$38,400

[1]Based on amount paid to *average or most representative board member(s)* in each company, as determined and reported by respondents. Figures assume attendance at all meetings of board and assigned committees.

[2]Figure for company at, or nearest above, 75 percent point in range.

Table 7: Total Annual Compensation (Regular Board Service Plus Committee Service) to Representative Outside Directors in 276 Nonfinancial Service Companies, by Industry[1]

Industry	Number of Companies	Range of Compensation	1987 Median Annual Compensation (277 Companies)	**1988 Median Annual Compensation (276 Companies)**	Percent Increase (Decrease)
Broadcasting, telecommunications (except telephone)	8	$ 1,750–$31,000	$22,750	**$21,650**	(5)%
Department stores, other nonfood retail stores	13	$ 9,400–$44,250	$20,250	**$21,000**	4
Restaurants, lodging, entertainment	16	$ 4,000–$33,800	$14,000	**$16,750**	20
Supermarkets, convenience stores, drug stores	7	$ 7,800–$29,800	$18,500	**$18,500**	—
Public utility:					
Electricity only	36	$ 3,200–$32,000	$17,200	**$17,550**	2
Electricity and gas	37	$ 8,550–$33,000	$14,790	**$17,100**	16
Gas only	20	$ 3,600–$30,100	$17,700	**$17,450**	(1)
Telephone company	14	$ 1,300–$36,200	$25,940	**$21,600**	(17)
Water	5	$ 6,000–$13,600	$12,600	**$13,000**	3
Mining	5	$12,000–$28,400	$24,000	**$16,950**	(29)
Miscellaneous services[2]	50	$ 4,000–$41,000	$15,000	**$15,500**	3
Transportation	25	$ 5,150–$59,300	$25,775	**$25,150**	(2)
Holding company[3]	28	$ 4,000–$41,000	$22,000	**$23,250**	6
Conglomerate or widely diversified (mostly nonmanufacturing)	12	$ 2,500–$63,000	$27,375	**$23,350**	(15)

[1]Based on amount paid to *average or most representative board member(s)* in each company, as determined and reported by respondents. Figures assume attendance at all meetings of board and assigned committees. N/A = not available.

[2]Includes such industries as consulting, health care, research, technical services, wholesale distribution.

[3]Excludes *bank* holding companies.

Table 8: Total Annual Compensation (Regular Board Service Plus Committee Service) to Representative Outside Directors in 273 Nonfinancial Service Companies, by Company Size[1]

Company Size by Sales (Millions of Dollars)	Number of Companies	Range of Compensation	1987 Median Annual Compensation (276 Companies)	**1988 Median Annual Compensation (273 Companies)**	Percent Increase (Decrease)	1988 Third-Quartile Compensation[2]
Under $50	23	$ 1,750–$33,228	$ 9,050	**$ 7,500**	(17)%	$17,500
50–99	17	$ 4,000–$18,000	$12,000	**$11,200**	(7)	$15,000
100–149	16	$ 8,250–$32,100	$11,950	**$14,500**	21	$16,000
150–199	12	$ 4,000–$22,200	$17,625	**$11,000**	(38)	$16,300
200–349	26	$ 1,300–$34,000	$17,000	**$15,400**	(9)	$17,600
350–499	29	$ 6,800–$31,750	$13,800	**$16,000**	16	$19,500
500–749	33	$ 5,150–$33,800	$15,075	**$17,500**	16	$21,200
750–999	12	$ 9,400–$36,200	$16,500	**$17,900**	8	$19,600
1,000–1,999	36	$ 3,200–$42,750	$22,000	**$21,000**	(5)	$26,500
2,000–2,999	22	$13,500–$63,000	$29,300	**$26,075**	(11)	$30,000
3,000–4,999	24	$19,750–$59,300	$25,600	**$28,750**	12	$33,000
5,000 and over	23	$24,000–$44,250	$31,800	**$33,000**	4	$38,000

[1]Based on amount paid to *average or most representative board member(s)* in each company, as determined and reported by respondents. Figures assume attendance at all meetings of board and assigned committees.

[2]Figure for company at, or nearest above, 75 percent point in range.

Chapter 2
Forms and Amounts of Compensation for Regular Board Service

This chapter breaks down one of the two major components of total annual compensation for directors: compensation for regular, or full board, service. (Board *committee* pay, the other component, is covered in Chapter 3.) The information includes the form(s) of payment made to directors for board service—annual retainers, per-meeting fees, or both—and the dollar amounts of these payments. It also includes calculations of *total* board-only compensation and of the proportion of board-only pay to total annual compensation (committee pay included). Finally, there are tables showing frequency of board meetings by industry category, by company size, and by board meeting length.

Forms of Compensation for Regular Board Service

Retainer payments: Retainers are the major component of director compensation, as Table 9 clearly shows. Almost all companies use an annual retainer, and most also pay a fee for each board meeting attended. Financial firms use retainers somewhat less (89 percent) than do firms in the other two categories. Fifteen percent of the manufacturers use *only* a retainer to cover basic service and pay no attendance fee; this method of compensation is less common in nonmanufacturing firms, as the table indicates.

Stock payments: In recent years the idea of including shares of company stock as part of directors' compensation has received a good deal of attention. The current survey indicates that the payment of stock has been on the increase, although in terms of numbers of companies, it definitely remains a minority practice. The survey also shows that there are a number of ways in which firms are putting stock into the hands of their outside board members.

Fifty-one companies, or *six percent,* include at least some stock as part of the *annual compensation* of their outside directors. This is a slight increase over the four percent reported in each of the two previous surveys. There is an approximately even split between those companies that give stock as *an addition or supplement* to a fixed level of cash compensation and those that pay stock *in lieu of cash.* Forty-four of the companies that make annual stock payment or awards specified what the dollar value was to the typical individual director; the amounts ranged from as little as $50 to as much as $19,000, but the median is $5,000.

A small group of companies does not make awards of stock annually but does so *at the time of a director's election or re-election to a three-year board term.* In some cases the award vests one-third each year and unvested shares are forfeited if the director leaves the board.

A third approach, reported by a dozen companies, is to make *one-time awards* of shares to outside board members. Amounts of such grants reported include fairly generous amounts, such as $15,000 in stock in one case, 10,000 shares in another.

Fifteen of the companies that pay or award stock to directors in these various ways specify that the shares used involve restrictions and are not simple common stock. Some make the shares forfeitable if the director leaves the board—by choice—before retirement; others prohibit the stock from being sold or otherwise transferred by the director until a specified period has elapsed; some apply both these restrictions. And some awards have vesting features that confer actual ownership on the director only in stages.

There are many variations in the methods used to pay stock to directors. A few examples:

- One company requires directors to take at least 50 percent of their annual compensation in stock; directors can elect to go as high as 100 percent. Another company has a similar policy but sets a minimum of stock with a value of $4,000.
- In one company, directors under 60 years of age must take the value of the annual board retainer in the form of stock; directors older than that must take cash.
- A bank holding company applies a specific, flexible arrangement to directors who own 10,000 or more of company stock independently from any received through the firm's payment-by-stock policy (these directors can choose not to receive further shares as part of their pay).

There is an additional group of companies that does not make outright payment of shares of stock but *offers directors the right to defer* at least some of their current board income, which becomes payable as stock—if the directors so choose—upon retirement from the board. At least 17 com-

panies in the survey specify that they follow this practice, but the actual number is probably larger because fully half of the total respondents have a deferred compensation arrangement for directors. (Not all such plans have stock-payout options, however.)

A handful of firms takes still another approach and makes awards of shares that are not tied into current compensation and do not vest in any way during board service but are automatically deferred until the time of retirement. Such grants are really a form of retirement benefit rather than a method of compensating for active service.

Note: for *stock options,* please see Chapter 4 beginning at page 21.

Amounts of Annual Retainers

Table 10 summarizes information on the size of retainers paid for regular board service. It shows the range and the median of retainers reported in the 1988 survey for the three major industry groups.

The 1988 median retainer for manufacturing companies that pay both a retainer and a per-meeting fee (by far the majority practice) is $15,000, up $1,000 from 1987. The median for financial firms increased by $2,000, to $12,000, while the median in nonfinancial services is now at $11,000.

Tables 11, 12, and 13 show a more detailed picture of the magnitude of retainers, analyzing them by company size. They illustrate that:

- *Retainer size tends to increase with company size*, especially in manufacturing firms. Although the relationship is least marked in the financial category, the largest median *does* occur among the largest companies ($5 billion in assets or more) in this group.
- *Manufacturing companies continue to pay the highest retainers.*

The third-quartile figures in these tables give an indication of retainers paid by the better-paying companies in each size category.

Amounts of Per-meeting Fees

Table 14 deals with per-meeting fees for regular board meetings. The key figure is the median fee for companies that pay both a fee and a retainer. Manufacturing leads the way with a median per-meeting fee of $750, unchanged from last year.

Total Board-only Compensation

This section presents information on total annual pay for regular board service *only,* leaving out payment (if any) that is specifically for committee service. The formula for the board-only compensation figure that was computed for each company for use in this section is:

Annual retainer for regular board service + (Board meeting fee × number of board meetings in a year)

Table 15 presents median board-only figures, by company size, in the three major industry categories.

Frequency and Length of Board Meetings

In general, financial companies hold more board meetings than do other kinds of firms (see Table 16). The median number of meetings for manufacturing companies is six; for nonfinancial service companies it is seven. For financial companies, however, the median is nine and the most commonly reported frequency is twelve.

Table 17, which shows frequency of board meetings for all three categories of firms for six company size categories, indicates that the median number of meetings is larger as companies get larger, except among financial firms.

Table 18 shows that board meeting length actually tends to be *shorter* as company size increases. This may reflect the fact that larger companies have more board committees (see Chapter 3) whose separate deliberations save time when the full board takes up matters dealt with in committee. Also, boards of smaller companies meet less frequently, so that each meeting has more ground to cover.

Note that the figures in this table apply only to meetings of the full board. Attending meetings of board committees can add considerably to the hours indicated in Table 18.

Table 9: Forms of Compensation for Regular Board Service

Forms of Compensation	Percent of Companies Using Each: 401 Manufacturing Companies	232 Financial Companies	274 Nonfinancial Service Companies
Annual retainer:			
Both retainer and per-meeting fee	80%	84%	85%
Retainer only	15	5	10
Total paying retainer	95%	89%	95%
Per-meeting fee only	5	11	4
Totals	100%	100%	99%

Table 10: Retainers Paid for Regular Board Service,[1] by Industry Category

Industry Category	*Number of Companies by Method of Payment*	*Range of Retainers*	*Median Retainer*	*Amount of Increase in Median Over 1987*
Manufacturing	320 that pay retainer and fee	$1,000–$40,000	$15,000	$1,000
	59 that pay retainer only	$1,500–$40,000	$16,000	
Financial	195 that pay retainer and fee	$1,500–$30,000	$12,000	$2,000
	11 that pay retainer only	$1,000–$48,000	$12,000	
Nonfinancial service	234 that pay retainer and fee	$ 900–$26,000	$11,000	$ 350
	27 that pay retainer only	$4,000–$33,228	$15,000	

[1]Annual retainers; fees for board meetings and all extra payments for committee service are excluded.

Table 11: Retainers Paid for Regular Board Service by 379 Manufacturing Companies, by Company Size

Company Size by Sales (Millions of Dollars)	*Number of Companies*	*Range of Retainers*	*Median Retainer*	*Third-Quartile Retainer[1]*
Under $100	39	$ 1,500–$25,300	$ 7,500	$10,000
100–149	29	$ 1,500–$40,000	$10,000	$12,000
150–199	11	$ 4,000–$16,000	$12,000	$14,000
200–349	38	$ 1,000–$20,000	$12,000	$15,000
350–499	31	$ 2,500–$25,000	$12,200	$15,000
500–749	26	$ 8,000–$24,000	$15,000	$17,000
750–999	23	$ 5,000–$30,000	$15,000	$19,000
1,000–1,999	60	$ 6,200–$40,000	$17,750	$20,000
2,000–2,999	30	$ 9,000–$30,000	$18,000	$20,000
3,000–4,999	30	$12,000–$38,000	$22,000	$25,000
5,000 and over	62	$ 2,500–$40,000	$22,500	$25,000

[1]Figure for company at, or nearest above, 75 percent point in range.

Table 12: Retainers Paid for Regular Board Service by 206 Financial Companies, by Company Size

Company Size by Assets (Millions of Dollars)	*Number of Companies*	*Range of Retainers*	*Median Retainer*	*Third-Quartile Retainer[1]*
Under $100	3	$4,500–$13,000	$ 6,000	—
100–149	6	$3,000–$12,000	$ 6,000	$ 7,500
150–199	6	$1,500–$ 7,500	$ 5,000	$ 7,000
200–349	6	$1,000–$10,000	$ 6,000	$10,000
350–499	13	$2,400–$18,000	$ 6,000	$12,500
500–749	5	$3,000–$14,000	$ 6,000	$ 7,000
750–999	11	$2,400–$14,000	$10,000	$12,000
1,000–1,999	19	$3,000–$25,000	$ 6,000	$12,000
2,000–2,999	14	$2,600–$24,000	$ 7,750	$15,000
3,000–4,999	23	$4,000–$30,000	$ 8,000	$15,000
5,000 and over	100	$2,500–$48,000	$14,000	$18,000

[1]Figure for company at, or nearest above, 75 percent point in range.

Table 13: Retainers Paid for Regular Board Service by 260 Nonfinancial Service Companies, by Company Size

Company Size by Sales (Millions of Dollars)	*Number of Companies*	*Range of Retainers*	*Median Retainer*	*Third-Quartile Retainer*[1]
Under $100	32	$ 1,000–$33,228	$ 7,200	$10,000
100–149	15	$ 2,400–$20,000	$10,000	$12,000
150–199	11	$ 2,000–$18,600	$ 6,600	$13,000
200–349	26	$ 900–$15,000	$ 8,750	$10,800
350–499	28	$ 2,000–$18,000	$ 8,500	$12,000
500–749	32	$ 2,000–$24,000	$10,000	$12,000
750–999	11	$ 5,000–$24,000	$11,000	$13,000
1,000–1,999	36	$ 1,500–$24,000	$12,000	$18,000
2,000–2,999	22	$10,000–$28,000	$16,000	$18,000
3,000–4,999	24	$10,000–$30,000	$17,750	$20,000
5,000 and over	23	$15,000–$30,000	$20,000	$22,000

[1]Figure for company at, or nearest above, 75 percent point in range.

Table 14: Fees Paid for Regular Board Meetings

Industry Category	*Companies by Method of Payment*	*Range of Fees*	*Median Fee*	*Changes from 1987*
Manufacturing	320 that pay fee and retainer	$100–$3,000	$750	0
	60 that pay fee only	$100–$5,000	$600	a
Financial	195 that pay fee and retainer	$125–$4,500	$700	+$100
	26 that pay fee only	$200–$2,000	$525	a
Nonfinancial service	234 that pay fee and retainer	$100–$2,200	$600	0
	12 that pay fee only	$400–$5,000	$1,000	a

[a]Change not shown because of small sample.

Table 15: Total Board-only Annual Compensation,[1] by Company Size

	Manufacturing		*Financial*		*Nonfinancial Service*	
Company Size by Sales[2] *(Millions of Dollars)*	*Number of Companies*	*Median Board-Only Compensation*	*Number of Companies*	*Median Board-Only Compensation*	*Number of Companies*	*Median Board-Only Compensation*
Under $10	5	$ 9,750	—	—	2	$ 2,800
10–24	2	$17,900	—	—	5	$ 8,000
25–49	10	$ 6,500	—	—	6	$13,300
50–99	11	$13,200	4	$ 6,650	8	$10,050
100–149	22	$13,300	7	$ 9,000	12	$13,050
150–199	9	$13,000	7	$ 8,500	6	$13,250
200–349	32	$16,000	5	$ 3,600	24	$13,100
350–499	25	$18,000	12	$ 9,150	27	$12,600
500–749	22	$18,950	7	$ 9,000	32	$14,450
750–999	23	$19,500	12	$11,400	12	$14,500
1,000–1,999	56	$22,250	22	$ 9,500	32	$18,300
2,000–2,999	28	$25,100	16	$10,800	20	$21,300
3,000–4,999	29	$27,500	24	$15,100	23	$23,400
5,000 and over	60	$32,150	94	$21,575	23	$27,000

[1]Annual compensation for regular board service only, excluding any pay for committee service. (In some companies this payment is intended to compensate directors for committee service as well as full board service; 11 percent of respondents do not pay separately for committees.)
[2]By assets for financial companies.

Table 16: Number of Board Meetings Per Year, by Industry Category

Industry Category	*Range of Meeting Frequencies*	*Median*	*Mode*
Manufacturing	3–24	6	6
Financial	4–24	9	12
Nonfinancial service	1–20	7	4

Table 17: Number of Board Meetings Per Year, by Company Size and Industry

Company Size by Sales[1] (Millions of Dollars)	*Frequency of Board Meetings*								
	Manufacturing			*Financial*			*Nonfinancial Service*		
	Range	*Median*	*Mode[2]*	*Range*	*Median*	*Mode[2]*	*Range*	*Median*	*Mode[2]*
Under $100	3–12	5	4	4–12	5.5	4	4–14	5	4
100–199	4–12	5	4	4–14	6	4,6,12	1–11	5	4
200–499	4–13	6	4	4–18	11.5	8	4–13	6	4
500–999	4–12	6	6	4–24	12	8	4–16	7	5,6,12
1,000–2,999	3–13	7	6	4–15	9	12	4–16	7.5	6
3,000 and over	4–24	9	10	4–24	10	12	4–20	8	8

[1]By assets for financial companies.
[2]If the greatest frequency of mention is common to more than one value, all such values are listed as modes.

Table 18: Length of Typical Board Meeting in Hours, by Company Size and Industry

Company Size by Sales[1] (Millions of Dollars)	*Length of Board Meeting (Hours)*								
	Manufacturing			*Financial*			*Nonfinancial Service*		
	Range	*Median*	*Third-Quartile[2]*	*Range*	*Median*	*Third-Quartile[2]*	*Range*	*Median*	*Third-Quartile[2]*
Under $100	1.5–10	3.5	4.5	1–3	2.5	3	.5–12	3	5
100–199	1.5–8	4	5	1–4.5	2	3	1–5	3	4
200–499	1–8	3	5	1–7	3	3.5	1–8	2.5	3
500–999	.75–8	3	4	1.5–5.5	3	3.5	1–8	3	3.5
1,000–2,999	1.25–8	3	3.25	.5–6	2.5	3	1–6	2.5	3
3,000 and over	1.25–12	3	3.5	.5–8	2	3	1.25–5	2.5	3.5

[1]By assets for financial companies.
[2]Figure for company at, or nearest above, 75 percent point in range.

Chapter 3

Compensation for Service on Board Committees

This chapter presents information on compensation paid specifically for serving on board committees—payment in addition to remuneration for regular board service. It includes findings on compensation to chairmen of board committees when that responsibility is rewarded with higher pay. The chapter also contains data on how many committees the surveyed companies have and how often they meet.

Prevalence of Payment for Board Committees

The overwhelming majority of respondents (97 percent) have at least one board committee. Table 19 summarizes practice concerning payment for committee service and for chairing committees. It indicates that:

- Most companies pay directors for committee service;
- A sizable minority pays committee chairmen more than committee members.

The figures in this table have changed little since 1987.

Methods of Payment for Board Committees

Table 20 lists 12 of the most common board committees and the number of surveyed firms that have such committees. The table also shows the number of companies that pay for serving on each committee and by what method or methods. The per-meeting fee remains by far the most frequent means of compensating directors for committee service.

Amounts of Payment for Board Committees

Dollar figures for service on principal board committees in the three major industry categories are presented in Tables 21, 22 and 23. The tables show ranges and medians of fees and retainers paid for each type of committee.

Committee fees continue to be higher in the manufacturing sector, where medians for a majority of committees are $700 or above (Table 21). For nonfinancial service firms, medians of $600 predominate (Table 23); among financial institutions, $500 is the most common (Table 22). Those numbers indicate typical increases in committee fees from 1987 of $50 in manufacturing and of $50-$100 in nonfinancial services; financial industry figures are basically unchanged.

Only a minority of companies use an annual retainer to pay for board committee service. The tables show that median retainers of either $2,500 or $3,000 prevail for most major committees except in the case of nonfinancial service firms, where there is less of a pattern.

Table 24 indicates that median retainers paid for committee service tend to differ depending on whether a company also pays a per-meeting fee for committees.

Table 25 shows that even though median fees for committee service are lower in the finanical sector than in the other industry groups, directors of financial firms get a higher proportion of their total board compensation—almost 20 percent—in the form of committee pay. This is explained by the fact that financial firms tend to have more board committees *and* have a higher committee meeting frequency, on average, than other companies, as shown later in this chapter.

However, among companies in the size category of $3 billion and over (not shown in a table), the median percentages of committee pay to total pay are pretty much the same in manufacturing and finance (20 percent and 21 percent, respectively). For nonfinancial service firms the percentage stays at 14 percent in these largest companies.

Forms and Amounts of Payment to Chairmen of Board Committees

Table 19 shows that 45 percent of companies with committees pay committee chairmen an amount greater than others on the committee receive or a payment where regular members receive none. This figure was 43 percent both in 1987 and in 1986. Tables 26, 27, and 28 spell out the forms and amounts of compensation paid for chairing principal committees, as reported by companies in the three major industry categories. Some highlights from these tables:

- The tables do not point to any particular change in medians for either annual retainers or per-meeting fees for com-

mittee chairmen from 1987 except for financial firms, where there have been some increases.

- Median per-meeting fees (but not retainers) paid to committee chairmen continue to be lowest in financial firms.
- The highest retainers (top-of-the-range figures, not medians) are paid to chairmen of audit, compensation, executive and finance committees; amounts of $25,000 or more are reported for such chairmen. The largest amount reported for a committee chairmanship, over $100,000, goes to the head of a manufacturing firm's finance committee.
- Whereas the *fee* is the most common vehicle for paying for general committee *service*, the *retainer* is favored for compensating committee *chairmen*.

Number of Committees per Company

From the point of view of the individual director, compensation as a member of a particular board is affected by how many committees he or she serves on. This can depend, in turn, on how many different committees that board has.

Tables 29 and 30 deal with the number of committees reported per company; the first table is broken down by industry category, the second by company size. Financial companies have the highest number of committees per company, on average (Table 29). And over half (55 percent) of the financial firms have *more than four* board committees, whereas only 40 percent of manufacturers and 32 percent of nonfinancial service firms have that many. The figures in Table 30 show that the larger the company, the more board committees it is likely to have. A median of five committees per company is common to the largest firms in all three categories.

How often Committees Meet

Table 31 shows the frequency with which the 12 most common board committees meet. The most common median meeting frequency among these committees is three times a year (the median in 14 cases), as it was in 1987. The columns in the table showing ranges indicate that some executive and finance committees meet quite often compared to median practice—weekly, in some cases. A director on a busy committee who is paid on a meeting-fee basis stands to earn considerably more than board members who serve on less active committees.

Table 31 also indicates that financial companies, which tend to have more board committees, also have a somewhat busier committee meeting schedule, judging by both the median and mode figures.

Table 32 presents data for committee meeting frequency by company size. The number of meetings held by most committees tends to increase as company size increases.

Table 19: Incidence of Payment for Members and Chairmen of Board Committees

	1988		
Practice	*Number of Companies*	*Percent*[1]	*1987 Percent*[1]
Pay extra for committee service	785	88%	89%
Pay chairmen of committee(s) more than committee members	404	45	43

[1]Percentage based on number of companies that have or had committees.

Table 20: Prevalence and Methods of Payment for Principal Board Committees, 909 Companies

					Methods of Payment Used (by Number of Companies)		
Committee	*Number of Companies with Committee*	*Percent*	*Number of Companies Paying for Committee*	*Percent*[1]	*Fee Only*	*Fee and Retainer*	*Retainer Only*
Audit	877	97%	753	86%	638	75	40
Compensation	738	81	620	84	534	55	31
Executive	631	69	479	76	406	48	25
Nominating	424	47	361	85	309	39	13
Finance	227	25	196	86	172	17	7
Employee benefits/pension	162	18	126	78	107	14	5
Stock option	118	13	65	55	56	7	2
Public policy	91	10	86	95	75	11	—
Investment	70	8	59	84	50	6	3
Human resources	56	6	48	86	45	3	—
Planning	53	6	43	81	40	1	2
Contributions	26	3	16	62	14	2	—

[1]Based on number of companies that have such a committee.

Table 21: Forms and Amounts of Payment for Principal Board Committees, Manufacturing Companies

	Forms and Amounts of Payment					
	Fees			Retainers		
Committee	Number of Companies	Range	Median	Number of Companies	Range	Median
Audit	296	$100–$3,000	$700	69	$ 500–$24,000	$2,500
Compensation	261	$100–$3,000	$700	56	$1,000–$10,000	$2,450
Executive	165	$ 50–$3,000	$700	39	$1,000–$75,000	$2,500
Nominating	158	$200–$1,250	$750	35	$1,000–$13,000	$2,500
Finance	83	$ 20–$2,000	$750	13	$1,000–$15,000	$2,500
Employee benefits/pension	67	$300–$1,200	$750	13	$ 400–$ 7,000	$2,500
Public policy	41	$300–$1,200	$800	9	$1,000–$ 4,000	$2,500
Stock option	29	$100–$1,000	$650	7	$1,500–$13,000	$4,500
Investment	14	$250–$1,500	$650	4	$1,000–$ 5,000	$1,500
Planning	10	$350–$1,000	$750	2	$1,500–$ 2,000	$1,750
Human resources	11	$500–$ 800	$650	0	—	—
Contributions	4	$600–$1,000	$625	1	$ 3,000	$3,000

Table 22: Forms and Amounts of Payment for Principal Board Committees, Financial Companies

	Forms and Amounts of Payment					
	Fees			Retainers		
Committee	Number of Companies	Range	Median	Number of Companies	Range	Median
Audit	197	$100–$1,500	$500	29	$ 500–$15,000	$3,000
Compensation	149	$ 50–$1,500	$500	19	$1,000–$15,000	$3,000
Executive	154	$100–$1,500	$500	15	$1,000–$12,000	$2,500
Nominating	93	$100–$1,500	$500	9	$ 500–$ 5,000	$3,000
Finance	40	$100–$1,500	$600	9	$1,000–$15,000	$4,000
Employee benefits/pension	22	$125–$1,200	$350	5	$1,000–$ 5,000	$1,500
Public policy	24	$200–$1,200	$750	2	$1,200–$ 2,000	$1,600
Stock option	23	$150–$1,000	$500	1	$ 2,500	$2,500
Investment	33	$100–$1,200	$400	5	$2,000–$15,000	$5,000
Planning	14	$100–$1,500	$450	0	—	—
Human resources	25	$100–$1,000	$500	1	$ 1,000	$1,000
Contributions	9	$150–$ 750	$500	1	$ 3,000	$3,000

Table 23: Forms and Amounts of Payment for Principal Board Committees, Nonfinancial Service Companies

	Forms and Amounts of Payment					
	Fees			Retainers		
Committee	Number of Companies	Range	Median	Number of Companies	Range	Median
Audit	221	$125–$5,000	$600	18	$ 500–$20,000	$ 2,400
Compensation	180	$100–$5,000	$600	13	$ 250–$20,000	$ 2,000
Executive	137	$125–$1,500	$600	20	$ 500–$15,000	$ 2,500
Nominating	99	$100–$1,500	$600	8	$1,000–$20,000	$ 3,325
Finance	68	$200–$1,500	$600	3	$1,000–$ 3,500	$ 1,500
Employee benefits/pension	35	$200–$1,100	$500	1	$ 3,650	$ 3,650
Public policy	22	$350–$ 900	$600	0	—	—
Stock option	11	$250–$1,250	$500	1	$ 1,600	$ 1,600
Investment	10	$300–$1,500	$525	0	—	—
Planning	19	$200–$1,000	$500	1	$15,000	$15,000
Human resources	13	$400–$1,000	$700	2	$1,000–$ 2,750	$ 1,875
Contributions	5	$350–$ 700	$500	0	—	—

Table 24: Median Retainers Paid, With and Without Per-Meeting Fees, for Five Principal Board Committees

	Median					
	Manufacturing		Financial		Nonfinancial Service	
Committee	Companies that Pay Both Retainer and Fee	Companies that Pay Only Retainer	Companies that Pay Both Retainer and Fee	Companies that Pay Only Retainer	Companies that Pay Both Retainer and Fee	Companies that Pay Only Retainer
Audit	$2,500	$2,500	$2,500	$5,000	$1,750	$10,000
Compensation	$2,200	$2,500	$3,000	$3,500	$1,750	$ 6,000
Executive	$2,000	$3,250	$2,500	$4,950	$2,050	$ 6,000
Nominating	$2,500	$2,250	$2,000	$4,000	$3,150	$10,000[a]
Finance	$2,500	$2,000	$3,500	$8,100	$1,500	—

[a]One company.

Table 25: Committee Compensation as a Percentage of Total Compensation, in 778 Companies

Industry Category	Range of Percentages	Median Percentage
Manufacturing	2%– 94%	15%
Financial	1%– 78%	19%
Nonfinancial service	3%–359%	14%

Table 26: Compensation of Chairmen of Board Committees, Manufacturing Companies[1]

Committee	Number of Companies that Pay Chairmen a Retainer	Range of Retainer	Median Retainer	Number of Companies that Pay Chairmen a Fee	Range of Fees	Median Fees
Audit	139	$1,000–$ 20,000	$3,000	43	$350–$2,800	$ 800
Compensation	125	$1,000–$ 18,000	$3,000	37	$350–$2,800	$ 800
Executive	42	$1,000–$ 34,000	$3,000	17	$450–$2,800	$ 800
Nominating	77	$ 250–$ 14,000	$2,500	25	$450–$2,800	$ 900
Finance	37	$1,000–$125,000	$3,000	10	$280–$2,000	$ 750
Employee benefits/pension	31	$1,000–$ 7,500	$3,000	14	$450–$1,800	$ 900
Public policy	23	$1,000–$ 6,000	$3,000	6	$700–$2,800	$ 950
Stock option	8	$1,000–$ 14,000	$4,000	2	$550–$ 750	$ 650
Investment	7	$2,000–$ 4,000	$2,000	1	$2,000	$2,000
Planning	3	$1,000–$ 2,500	$1,500	2	$750–$ 900	$ 825
Human resources	3	$2,000–$ 5,000	$2,000	2	$900–$1,000	$ 950
Contributions	0	—	—	1	$ 700	$ 700

Table 27: Compensation of Chairmen of Board Committees, Financial Companies[1]

Committee	Number of Companies that Pay Chairmen a Retainer	Range of Retainer	Median Retainer	Number of Companies that Pay Chairmen a Fee	Range of Fees	Median Fees
Audit	73	$ 500–$75,000	$3,000	44	$150–$9,000	$ 700
Compensation	45	$ 600–$75,000	$3,000	34	$100–$9,000	700
Executive	20	$ 600–$30,000	$2,250	16	$150–$1,500	$ 500
Nominating	31	$ 600–$ 7,500	$2,000	15	$150–$1,500	$ 700
Finance	14	$ 500–$25,000	$3,250	9	$400–$1,500	$ 800
Employee benefits/pension	5	$1,000–$ 7,500	$2,000	4	$250–$ 700	$ 300
Public policy	11	$2,000–$10,000	$3,000	3	$250–$1,500	$1,500
Stock option	2	$1,000–$ 2,000	$1,500	5	$250–$1,000	$ 700
Investment	6	$1,000–$15,000	$2,000	9	$150–$1,500	$ 500
Planning	1	$ 3,000	$3,000	3	$150–$ 700	$ 250
Human resources	12	$1,000–$20,000	$2,200	5	$250–$ 900	$ 300
Contributions	2	$1,000–$ 4,000	$2,500	0	—	—

Table 28: Compensation of Chairmen of Board Committees, Nonfinancial Service Companies[1]

Committee	Number of Companies that Pay Chairmen a Retainer	Range of Retainer	Median Retainer	Number of Companies that Pay Chairmen a Fee	Range of Fees	Median Fees
Audit	74	$1,000–$26,000	$2,125	28	$ 500–$2,200	$1,000
Compensation	58	$1,000–$23,500	$2,000	24	$ 500–$2,200	$ 950
Executive	19	$1,000–$25,250	$2,500	9	$ 500–$1,500	$ 750
Nominating	29	$ 500–$23,500	$2,000	11	$ 500–$1,500	$1,000
Finance	23	$ 300–$ 7,500	$2,500	4	$ 500–$1,500	$ 825
Employee benefits/pension	12	$1,000–$ 5,500	$2,500	4	$ 500–$1,000	$ 550
Public policy	11	$2,000–$ 3,000	$2,500	3	$1,000–$2,200	$1,500
Stock option	1	$ 3,000	$3,000	2	$ 500–$ 750	$ 625
Investment	2	$1,500–$ 4,500	$3,000	2	$ 750–$1,100	$ 925
Planning	4	$1,500–$25,000	$4,000	0	—	—
Human resources	4	$2,500–$ 5,000	$3,500	1	$1,250	$1,250
Contributions	2	$1,000–$ 1,000	$1,000	0	—	—

Table 29: Number of Committees Reported Per Company, by Industry Category

Number of Committees	Total Number of Companies Reporting Each	Percent	Manufacturing		Financial		Nonfinancial Service	
			Number of Companies	Percent	Number of Companies	Percent	Number of Companies	Percent
1–2	125	14%	63	16%	23	10%	39	15%
3–4	397	45	174	44	81	35	142	53
5–6	295	33	121	31	98	42	76	29
7–8	68	7	32	8	27	12	9	3
9–10	5	1	2	1	2	1	1	—
Totals	890	100%	392	100%	231	100%	267	100%

Table 30: Number of Committees Reported Per Company, by Company Size

	Company Size Categories[1] (Millions of Dollars)					
	Under $100	*$100–$199*	*$200–$499*	*$500–$999*	*$1,000–$2,999*	*$3,000 and over*
			Manufacturing Companies			
Number of companies in each category	51	44	68	49	88	92
Range of number of committees reported	1–7	1–6	1–7	2–8	1–8	2–10
Median number of committees reported	2	3	4	4	5	5
Mode[2]	2	3	3,4	3,4	5	5
			Financial Companies			
Number of companies in each category	5	14	26	21	39	125
Range of number of committees reported	1–6	1–8	2–8	2–7	1–8	1–9
Median number of committees reported	4	4.5	4	5	5	5
Mode[2]	—	2	2,4	7	4,5	5
			Nonfinancial Service Companies			
Number of companies in each category	38	27	52	44	57	47
Range of number of committees reported	1–6	1–5	1–8	1–7	2–7	2–9
Median number of committees reported	3	3	4	4	4	5
Mode[2]	3	3	4	4	4	4,5

[1]Measured in sales for manufacturing and nonfinancial services, assets for financial.
[2]If the greatest frequency of mention is common to more than one value, all such values are listed as modes.

Table 31: Number of Meetings Per Year of Principal Committees, by Industry Category

	Manufacturing Companies			*Financial Companies*			*Nonfinancial Service Companies*		
Committee	*Range of Meeting Frequencies*	*Median*	*Mode[1]*	*Range of Meeting Frequencies*	*Median*	*Mode[1]*	*Range of Meeting Frequencies*	*Median*	*Mode[1]*
Audit	1–12	3	2	1–14	4	4	1–16	3	2
Compensation	1–10	3	3	1–13	3	4	1–12	3	2
Executive	1–70	3	1	1–60	4	4	1–50	3	1
Nominating	1–7	2	1	1–10	2	1	1–6	1	1
Finance	1–50	4	4	2–50	4	4	1–15	4	4
Employee benefits/pension	1–12	3	2	1–8	3	2	1–12	3	2
Public policy	1– 8	3	4	1–6	2	2	1–7	3	3
Stock option	1–11	2	1	1–4	1	1	1–5	2	1
Investment	1–11	4	4	2–24	7	4	1–12	4	4
Planning	1–4	2	4	1–7	3	1	1–50	2	1
Human resources	1–6	3	1	2–12	4	4	2–6	4	6
Contributions	1–8	2	2	1–4	2	2	1–4	2	1,2,3

[1]If the greatest frequency of mention is common to more than one value, all such values are listed as modes.

Table 32: Number of Meetings Per Year of Six Principal Committees, by Company Size

Committee	Under $100	$100-$199	Company Size Categories[1] (Millions of Dollars) $200-$499	$500-$999	$1,000-$2,999	$3,000 and over
			Manufacturing Companies			
Audit						
Range of meeting frequencies	1-12	1-7	2-6	1-5	1-6	2-7
Median	2	2	3	3	3	3
Compensation						
Range of meeting frequencies	1-6	1-7	1-10	1-10	1-10	1-10
Median	2	2.5	3	3	3	5
Executive						
Range of meeting frequencies	1-7	1-12	1-12	1-12	1-26	1-70
Median	3.5	2	2.5	3	3.5	2
Nominating						
Range of meeting frequencies	1-2	1-2	1-3	1-3	1-7	1-6
Median	1	1	1	2	2	2
Finance						
Range of meeting frequencies	2-4	1-5	1-12	1-4	1-15	1-50
Median	3	2	2	2	4	4
Employee benefits/pension						
Range of meeting frequencies	1-6	1-4	1-8	2-12	1-6	2-5
Median	2	2	3	2	3	3
			Financial Companies			
Audit						
Range of meeting frequencies	2-3	1-5	2-12	1-5	1-11	2-14
Median	2	4	4	3.5	4	4
Compensation						
Range of meeting frequencies	1-3	1-4	1-4	1-8	1-10	1-13
Median	2	1	2	3	3	4
Executive						
Range of meeting frequencies	—	1-12	1-52	1-52	1-40	1-60
Median	—	4	4	4	6	6
Nominating						
Range of meeting frequencies	1-2	1-2	1-6	1-3	1–10	1-5
Median	1.5	1	2	1	1	2
Finance						
Range of meeting frequencies	—	4-6	3-50	2-12	4-24	2-50
Median	—	5	4	4	6	4
Employee benefits/pension						
Range of meeting frequencies	—	1-6	1-6	1-6	1-4	1-8
Median	—	2	3	3.5	3	2
			Nonfinancial Service Companies			
Audit						
Range of meeting frequencies	1-5	1-6	1-10	1-6	1-16	2-6
Median	2	2	3	3	3	3
Compensation						
Range of meeting frequencies	1-4	1-4	1-6	1-9	1-12	1-9
Median	2	2	2	3	3	4
Executive						
Range of meeting frequencies	1-24	1-9	1-12	1-24	1-24	1-50
Median	3	4	3	2	2	2
Nominating						
Range of meeting frequencies	1-2	1	1-4	1-4	1-4	1-6
Median	1	1	1	1	1	2
Finance						
Range of meeting frequencies	1-6	3-6	1-10	1-8	2-15	2-11
Median	4	4.5	3	2.5	4	4
Employee benefits/pension						
Range of meeting frequencies	1-3	4-6	2-5	2-12	2-4	1-12
Median	2	4	2.5	3	3	2.5

[1]Measured in sales for manufacturing and nonfinancial services, assets for financial.

Chapter 4
Benefits for Directors

This chapter presents information about the prevalence of various benefits offered to outside directors in addition to their cash compensation and shows which benefits are gaining in popularity. The 1988 survey provided detailed information about two kinds of benefits that have been on the increase: retirement benefits and stock options.

How Many Companies Provide Benefits

Overall, 92 percent of the companies in the survey have at least one form of benefit for their outside directors, the same percentage as in 1987. This count includes as a benefit directors and officers liability insurance (D&O), which is carried by 81 percent of the respondents. If D&O is not counted as a benefit on the grounds that it has become all but a necessity, then 81 percent of the respondents provide at least one benefit, unchanged from last year.

In Table 33, which shows numbers of benefits per company, the median figures indicate that a majority of companies offer their board members more than one kind of benefit. Note that the number of benefits provided by the largest companies in Table 33 ranges as high as eight or nine.

Types of Benefits

Table 34 lists those benefits that were reported by at least ten companies, divided into benefits that are a form of insurance coverage and those that are not. Only two—D&O insurance and deferral of board compensation—are provided by a majority of companies. Changes in prevalence of most of the various benefits in the table were small (3 percent or less); some did not change at all. However, a few shifts merit comment:

- *D&O insurance:* The percentage of companies providing their directors with this valuable protection is down to 81 percent; two years ago the figure was 88 percent. The current figure means that board members of 1 in 5 firms in the sample lack coverage and are vulnerable in the event of lawsuits. But this slide may begin to reverse itself because the recent severe shortage of available D&O coverage has started to correct itself, and at the same time, premiums for this insurance are shrinking from the record highs of a year or so ago.
- *Deferred compensation plans:* Fewer companies reported this benefit in 1988 (51 percent, down from 56 percent in 1987). This drop—in a benefit that had been on the rise until 1987—reflects a tax law change that became effective in 1988. The Omnibus Budget Reconciliation Act of 1987 included two features that make deferral of board income less advantageous. Board income must now be counted in the year earned (even if not paid then) in arriving at the "earnings" test amount used for figuring Social Security benefits; the result for many directors who collect such benefits but continue service as directors would be reduced Social Security income. Secondly, the self-employment tax for Social Security purposes—an obligation of the individual outside director—is also imposed as earned and can no longer be deferred until income is received.

Pension plan and stock options: These benefits continued to show substantial gains. The 1988 questionnaire was expanded to gather details about such plans. The analysis of this new information is presented below.

Retirement or Pension Plans

As Table 34 indicates, 28 percent of the survey respondents provide a pension benefit to outside directors after they retire from board service. Table 35 gives figures for the three industry categories. Table 36 has a breakdown by company size; it shows that a *majority* of the largest firms in manufacturing and in nonfinancial services now offer this benefit.

Most of the 252 companies with retirement plans supplied information about them, and this information serves as the basis for the following analysis.

Qualifications for benefits: Under most plans, a director must meet either a length-of-service requirement (82 percent of the plans) or, less frequently (67 percent), a minimum-age requirement in order to qualify for the retirement benefit. In

manufacturing, a majority of plans require that *both* qualifications be met (see Table 37). Note that the use of a service requirement (five or ten years in the majority of cases) is rather uniform in the three industry groups, but that financial firms are more apt to include an age requirement.

Some companies waive qualifications under certain circumstances so that directors can receive benefits. Two specified examples are having to leave the board prematurely because of a disability, and losing a board seat because of a change of control of the company.

One fourth (50) of the surveyed companies with service requirements pay a reduced amount to directors who retire before having served long enough to meet the full requirement but meet a specified lesser one. Thus, 13 companies reported that they pay *75 percent* of the full retirement amount for briefer service, 33 companies pay *50 percent* and four firms pay *25 percent.*

A number of companies have flexible or multi-stage thresholds. For example, one pays $12,000 for 12 years of service, $9,000 for nine years and $6,000 for six years. Another uses a sliding scale but begins payment for as little as one year of service. In a third case, the benefit is received in full for 12 years of service but is reduced to 45 percent for eight years and to 30 percent for five.

As noted, 162 companies—67 percent of the companies with a retirement plan—have a minimum-age requirement for qualifying for this benefit. Table 38 shows that the required age is 65 in close to half of these policies, and 70 in another 25 percent. The requirement is met as young as age 55 under one-tenth of the policies.

In about 60 percent of the cases where there is an age requirement, it is lower than the age at which directors must retire under a mandatory policy. Directors of those companies can leave the board before mandatory retirement age (which is usually either 70 or 72) and still get pension benefits.

Amount of annual benefit: Several approaches to determining the annual pension benefit were reported. As Table 39 shows, the amount of the annual retainer paid for regular board service is by far the single most common element on which pensions are based.

There are some companies that report using a predetermined figure that does not appear to be connected to compensation levels. The highest such amount reported is $50,000 a year; the one mentioned most often is $15,000.

There are also companies that use a compensation element such as a retainer in determining the pension but as part of a formula that takes other factors into account, such as years of service, age, or even an annuity factor. Examples of such formulas appear in a box on page 23.

The compensation amounts used as a basis for determining the pension benefit for a particular director are those in effect as of the time of his or her retirement (in some cases, in effect for a specified period, such as the last three years of active service). Only 9 percent of companies with pensions for directors adjust the amounts as active-service compensation changes.

How long benefits are paid: Table 40 shows the ways in which companies determine how long benefits are to be paid to a director following retirement:

- One-third of the companies with a plan continue to make benefit payments to a qualifying director until his or her death;
- A larger group bases payments on the director's years of board service, but often with limits;
- One-eighth of the plans pay for a set number of years (or until death if that occurs sooner); ten years is the most common choice, as shown in the following:

Payout Period	Number of Companies	Percent of all Companies using a Specified Period
10 years	49	70%
15 years	8	11
12 years	5	7
5 years	4	6
Other (range 1-20 years)	4	6

The variations used among the last 40 companies indicated in Table 40 are numerous but include the following approaches, all of which were reported by more than one firm:

- The shortest of three possibilities: especially, death, *or* years of service, *or* a specified period of years (eight and ten years were mentioned);
- Until death, if a service or age requirement (or a combination of the two) is met; for a years-of-service period otherwise;
- Until the death of the spouse, if the director dies first;
- Until such time as the director becomes, or is affiliated with, a competitor;
- A lump sum is made (or is optional) at or soon after retirement.

Payments to a beneficiary or estate: If a retired director dies before receiving all the benefits to which he or she is entitled, 42 percent of the plans provide for the remaining benefits to be paid to a spouse or other beneficiary (or estate).

Twenty-four percent (58 companies) go even further and pay benefits in the event that a director dies before having retired from the board. This policy addresses the fact that under many plans a director will meet pension eligibility requriements before reaching the age for mandatory retirement. These 58 companies ensure that earned benefits are not lost because death preceded retirement.

Of 48 firms that describe this preretirement benefit feature, over two-thirds pay a spouse (or other beneficiary or estate) the same benefit to which the director would have been entitled if he or she *had* retired as of the date of death. Eight companies pay only a proportion (50 percent in six cases, 75 percent in two cases). The remaining seven have other arrangements.

In most cases, these payments are made in installments, the same as had the director survived and retired. However, a few firms make a lump-sum payment. Two firms delay the begin-

Examples of Formulas for Director Retirement Benefits

As indicated in the text, some companies base the amount of annual retirement benefit on a formula, which typically reflects such factors as a director's length of board service and/or age as of the time of retirement. These formulas are often pegged in some way to the annual board retainer being paid at the time of retirement. Some examples:

1/15th of the annual retainer (at the time of retirement) multiplied by years of board service, not to exceed 15 years.

(An industrial products company)

1/12th of the annual retainer multiplied by the number of months of service, to a maximum of ten years.

(An appliance manufacturer)

10 percent of total fees and retainers for the preceding 12 months, multiplied by years of service, to a maximum of $20,000 (the amount of the present annual retainer).

(A transportation company)

5 percent of the annual retainer, multiplied by the number of full years of service, not to exceed 20 years; reduced by 4 percent for each year of retirement prior to age 70.

(A public utility company)

$17,500 (the amount of the present annual retainer) reduced by 10 percent for each year the director's age is less than 70, and 10 percent multiplied by the difference between the director's years of service prior to age 72 and 10 years.

(A paper products company)

50 percent of the annual retainer plus 10 percent of such retainer for each full year of service, not to exceed the amount of the retainer.

(A paper products company)

50 percent of the highest consecutive three year average of total board compensation, multiplied by years of service, multiplied by an annuity factor.

(A chemical company)

ning of, the payments until the time when the director would have turned 65, or until the surviving spouse turns 65, if sooner.

Stock Options

Chapter 2 covers the use of company stock as a form of payment in addition to or in lieu of annual cash compensation, or as a one-time award. As Table 34 shows, there are also 131 companies in the sample—14 percent—that have offered their outside directors options to *buy* stock. Of those firms that provide further information about director options, 55 percent made a one-time grant; 45 percent made more than one. (Some make annual grants.)

Almost half (46 percent) of the companies that have given their directors stock options indicate that they were essentially the same as those that have been offered to the company's executives; an additional 10 percent say that the only difference was one of dollar value, not terms. (A few firms have given options *only* to directors.)

Where there were distinctions other than value, the one mentioned most often is that the directors' options had a more favorable vesting and/or exercise period. Cited specifically, roughly in order of mention, are: either vested or exercisable immediately upon receipt (six months, one year; three years); vested at 25 percent per year instead of 20 percent for executives. Twenty-five firms named these kinds of timing differences between options. Almost as many said that directors got "nonqualified" options, whereas executives received qualified incentive stock options. Other differences in directors' options mentioned by only a few firms: no choice of terms; no buy-back rights; options not in the form of warrants; do not expire on leaving board.

In most of the surveyed firms, all outside directors of a given company received the same option or options with the same terms. Only 11 percent offered different terms to different directors.

Just over 100 firms provided descriptions of the values and terms of options they have offered to their directors. This information is presented under the headings that follow:

When granted: Fifty-five percent of the companies providing such information made a one-time grant of options to their directors; the other 45 percent made more than one grant. Fifteen companies, or more than 10 percent of companies reporting options, make *annual* grants to directors.

A minority of the companies reporting a one-time grant specify that this award is made at the time the director is first elected to the board. A number of other firms make a grant at the director's first election but also make annual awards—usually for a smaller number of shares—thereafter.

Terms: About half of the options reported had a ten-year expiration period. The breakdown of all terms cited is as follows:

Length of Option Term	Number of Companies
10 years	28
5 years	21
3 years	3
Other (2, 4, 6, 7, 8, 15 years)	6
	58

Vesting: Of 42 companies that described when vesting occurs—when a director can exercise, or begin to exercise, option rights—only seven made their options fully vested at the time they were granted. The most frequently reported prac-

tice (18 companies) is to make a portion of the grant exercisable immediately, but with the remainder exercisable in stages; see below.

The remaining 17 options specified a waiting period before the director could begin to exercise his or her rights, most often one year (ten firms). Other waiting periods: six months (5 companies), two years, five years (one company each).

Rate at which exercisable: Once a director has the right to exercise option rights, he or she must do so in stages in 75 percent of cases reported. The practices of the 44 companies providing this information are:

Rate at which Option May Be Exercised	Number of Companies
All at once	11
One-third each year (for three years)	11
One-fourth each year (four years)	10
One-fifth each year (five years)	9
One-half each year (two years)	1
Ten percent every six months (five years)	1
One-fourth after one year, two percent each month thereafter	1

Option price: Almost three-fourths of the reported options were exercisable at the fair market price of the company's shares as of the time of the grant (34 companies). Other option prices mentioned:

85 percent of fair market value	(5 companies)
50 percent of fair market value	(2 companies)
$1 ("discounted" options offered in lieu of annual retainers)	(3 companies)
Other	(2 companies)

Other features: Four companies offered their directors options that also included stock appreciation rights. One firm's option was for shares with super-voting rights. Another option stipulated that shares acquired under its provisions must be "put" to the company (offered for repurchase) if certain events, not specified, should occur. And shares acquired under one company's option were not transferrable for two years following the time of exercise.

One relatively new use for stock options is to provide what amounts to a deferral-of-income benefit. Under a typical arrangement of this kind, a company offers directors, as an alternative to the cash annual retainers paid for board service, an option for a number of company shares equal in value to that retainer. The option exercise price is only $1.00. By taking the option, a director defers receipt of value until he or she chooses to exercise the option and acquire the stock. Taxes are therefore also deferred. There are also benefits for the company, including a reduction of cash outlay.

At the time of this writing it has been suggested that the tax deferral advantage of such discounted options might eventually be overturned by the Internal Revenue Service, but such plans are evidently still unusual. Only three of the surveyed companies—two in manufacturing, one a financial institution—reported that they offered this arrangement to their directors.

As a final point concerning stock options for directors, 78 percent of the responding firms that had granted such options prior to the market crisis of October 1987 had not modified or cancelled them as of May or June of 1988, when the questionnaires were completed. Seventeen percent had modified their plan(s) (details not provided), and five percent cancelled them.

Table 33: Number of Benefits for Outside Directors Per Company,[1] by Company Size

Company Size by Sales (Millions of Dollars)[2]	*Median Number of Benefits Per Company*					
	354 Manufacturing Companies		*210 Financial Companies*		*232 Nonfinancial Service Companies*	
	Range	*Median*	*Range*	*Median*	*Range*	*Median*
Under $100	0–5	1	1–6	1	0–6	1
100–199	0–5	1	0–3	1.5	0–6	1
200–499	0–7	2	0–3	1	0–6	2
500–999	1–6	2	0–6	2	1–7	2
1,000–2,999	0–9	3	1–6	2	1–7	3
3,000 and over	0–8	4	0–9	2	1–9	3.5

[1]Not counting directors and officers liability insurance, or reimbursement of expenses of attending meetings.
[2]Financial companies are measured by assets.

Table 34: Principal Insurance and Other Benefits Provided to Outside Directors[1]

Benefit	Number and Percent of Companies Mentioning		
	1988 Number of Companies	1988 Percent	1987 Percent
Insurance:			
Directors and officers liability	736	81%	84%
Travel accident	342	38	39
Accidental death and dismemberment	151	17	16
Life	132	15	15
Medical and hospitalization	76	8	8
Dental	18	2	2
Other Benefits:			
Deferred board compensation	461	51%	56%
Matching donations (educational, cultural, philanthropic other)	286	32	33
Retirement or pension plan	252	28	21
Stock options	131	14	9
Stock purchase plan	11	1	1
Free or discounted company products or services	78	9	9
Physical examinations	17	2	2

[1]Benefits reported by ten or more companies.

Table 35: Incidence of Retirement Benefit Plans for Outside Directors in 909 Companies, by Industry Category

Industry Category	Number of Companies With a Plan	Percent
Manufacturing	129	32%
Financial	52	22%
Nonfinancial service	71	26%

Table 36: Incidence of Retirement Benefit Plans for Outside Directors in 909 Companies, by Company Size

Company Size by Sales (Millions of Dollars)[1]	Companies with Plans, in:					
	Manufacturing		Financial		Nonfinancial Service	
	Number of Companies	Percent of Size Group	Number of Companies	Percent of Size Group	Number of Companies	Percent of Size Group
Under $100	3	5%	0	0%	2	5%
100-199	3	7	3	21	3	11
200-499	18	26	1	4	15	27
500-999	18	37	5	24	11	24
1,000-2,999	35	39	8	21	11	19
3,000 and over	52	57	35	28	29	62

[1]Financial companies are measured by assets.

Table 37: Incidence of Service and Age Qualifications for Receiving Payment Under Retirement Benefit Plans, by Industry Category

Qualification	Manufacturing		Financial		Nonfinancial Service	
	Number of Companies	Percent[1]	Number of Companies	Percent[1]	Number of Companies	Percent[1]
Length of board service	103	84%	40	82%	54	81%
Minimum age	83	66%	35	71%	44	64%
Both[2]	65	52%	24	49%	25	36%

[1]Percent of those companies with a retirement plan.
[2]These companies are included in the two categories above.

Table 38: Minimum-age Requirements for Receiving Retirement Benefits

Minimum Age	Companies Mentioning Each Age	
	Number of Companies	Percent[1]
55	15	10%
60	11	7
65	72	46
70	39	25
72	12	8
Other	9	4
Totals	158	100%

[1]Based on companies that *have* an age requirement.

Table 39: Amount of Annual Post-retirement Benefit for Directors, in 237 Companies

Amount or Basis of Annual Benefit	Number of Companies	Percent
Based on board-only compensation amount:		
Amount of annual board retainer	153	65%
A *percentage* of annual board retainer	27	11
Amount of annual board retainer plus fee for board meetings	8	3
A *percentage* of annual board retainer and fees for board meetings	4	2
Other amount based on board compensation	2	1
Based on a different amount:		
A percentage of total compensation (board *plus committees)*	6	3
Amount of board retainer plus committee retainer(s)	3	1
Amount of total compensation	1	—
Other amount	33	14

Table 40: How Long Retirement Benefits are Paid, in 245 Companies

Period	*Number of Companies*	*Percent*
Until director's death (alone)	81	33%
A period equal to years of board service:		
Alone	37	15
With a time limit	41	17
Or until death, if sooner	17	7
A specified time period:		
Alone	14	6
Or until death, if sooner	15	6
A different period or various combinations of the above	40	16
Totals	245	100%

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